The MORTGAGE BANKER

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We're heading for another big smash hit with our

Second 1944 Mortgage Clinic

Sponsored by the

MORTGAGE BANKERS ASSOCIATION OF AMERICA

Hotel Biltmore • New York • April 13 and 14

W. A. Clarke, Philadelphia, Moderator

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More so than at any time in the past we think we *know* what MBA members want in a Clinic. Our Chicago meeting in March had hardly closed before we had questionnaires in the mail to those who attended asking them *why* they attended, what they *thought* of the program and, in general, exactly what they believed this type of meeting *should be.*

The replies were *one-sided.* They add up to these clear-cut conclusions: MBA members want the most practical and basic problems of their business discussed at the Clinics; and the reason we had well over 400 at the Chicago meeting is principally because we had that kind of program. Our members right now are not especially interested in broad general economic subjects; they want to hear about such things as construction loans, submission of loan applications, price trends, FHA plans, rates, etc.

Further, they are almost a unit in declaring that, during the war period at least, the Clinics should provide for no entertainment functions featuring outside speakers such as war correspondents, etc. They want these two-day conferences devoted to nothing but their own every-day problems.

So—with all this before us—that is exactly what we have planned for the New York and Tulsa Clinics. Here are some of the speakers who will appear at the New York Clinic:

E. S. Draper
Deputy FHA Commissioner
Subject: FHA's Postwar Plans

Charles F. Noyes
Noted New York Real Estate Authority
Subject: The Future of Urban Real Estate

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Not Interested in Profits?

Our costs are up—what are we doing about getting a better break in profits for the services we render? What's your opinion?

By M. A. POLLAK

WE mortgage bankers seem to have our share of the troubles these days judging by what we read and what we hear at local and national meetings. Excessive appraisals, the HOLC, whether the FHA should continue, and score of others puzzle us.

But there is one problem which, while uppermost in the minds of *most* business men, never seems to get any attention from mortgage bankers. They seem to have no interest whatever in *profit!* I'm serious about that. There must be some reason why, with the cost of doing business constantly increasing, mortgage bankers receive less and less compensation for their work. What's the matter with us anyway?

I don't think I am taking a pessimistic point of view when I say that a continuance of this obvious trend of more and more service and less and less compensation for this increased service must eventually result in the disappearance of mortgage bankers. Those of us who have made many Title VI loans in the past two years have undoubtedly shown a very satisfactory income. This may be an artificial profit, however; in fact, the chances are that it will be when we consider that the government receives the majority of the profit through income tax, and we are faced with many years of servicing these loans on a participation basis which may or may not cost more than the actual compensation received.

At ½ of 1 per cent participation, the maximum annual service fee is $27, and this reduces annually. This may be satisfactory compensation when there isn't any trouble; but it is not unreasonable to assume that we are going to have difficulty with some of these loans—and then the expense of servicing may easily double or triple the participation.

Those of us who aren't making Title VI loans have found, in most cases, the volume of business greatly reduced, even though we are in the most active real estate market since the 1920's.

Mr. Pollak is vice president and secretary of Draper and Kramer, Inc. of Chicago and was one of the principal organizers of the Illinois Mortgage Bankers Association. He is now secretary.

Further, most of us find many of our loans being paid off, either entirely or much more rapidly than called for by the terms of the mortgage. As the majority of these loans were made without commission, our basis of payment being future participation, this means that we are actually not going to receive as much for making these loans as originally expected. In many cases we receive very little for our work. On January 31st, we had eight loans paid off before maturity, and all from the mortgagors' own funds without refinancing.

It is estimated that U. S. home owners reduced their mortgage debt four billion dollars in 1943, which is 10 per cent more than they paid off in 1942, and four times as much mortgage debt as they retired in 1939. In three war years they will have reduced their mortgage debt 10.9 billion dollars. Assuming that only 20 per cent of these mortgages were on the books of mortgage bankers, that means a reduction of 2.2 billion dollars, a reduction in annual participation at ½ of 1 per cent of $11,000,000.

In spite of this trend, mortgage bankers in Chicago are fighting among themselves to see who can give the most liberal prepayment privileges. In soliciting loans today, low interest rate, length of loan and lack of commission are not the only sales arguments—liberality of prepayment privilege is often the deciding issue!

I recently summed up the work which we did in connection with a $4,500 loan. One of the real estate brokers who sends us loans sold a residence for $9,000 and asked us to make a $4,500 loan at 4½ per cent without commission. Our solicitor inspected the property, found it satisfactory, and took an application, which was processed in the required manner. Photographs were taken of the house. As there were no plans available, it was necessary for our appraiser and an assistant to measure the house completely and make up a drawing from which blue prints were made.

One of our officers then inspected the property, as all submissions to our insurance outlet must be signed by an officer of the company. In due course a commitment was received. Title information was finally given to us on a Saturday morning, and we were informed that the borrower was leaving the city Sunday afternoon. Since they wanted to escrow the sales deal Monday, it was necessary for one of the girls to stay at the office part of Saturday afternoon to draw up the papers and have someone take them out 30 miles to one of the suburbs to be signed on Sunday. On Monday our title man spent two and a half hours in connection with the escrow at the Chicago Title and Trust Company, depositing our mortgage and the amount of the loan. Within a few days the escrow was completed, and then it was necessary for our title department to spend additional time. Eventually the mortgage was forwarded to the insurance company. As this is a monthly payment loan, we will receive a monthly participation which, during the first year, will total a little less than $22.50; and annually over the length of the 15-year loan will average $11.25. During these years we have to collect and remit these payments monthly as well as watch the taxes and

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Association ACTIVITIES ★ NEWS OF WHAT'S HAPPENING AMONG MBA MEMBERS AND OUR LOCAL ASSOCIATIONS

FHA Committee Asks Reduction Processing Time, No Dealing with Builders and Clause Defining Possession Right in Defaults

The MBA board of governors has approved the recommendations of the FHA Committee that FHA ought not deal with builders and others who are not approved mortgagees and that FHA ought to utilize the present lull in activity to perfect plans which will speed up its processing time. Not approved by the board, however, was the suggestion that Section 203 be changed to include 95 per cent loans for 30 years on $5,000 appraised value.

The report of the FHA committee was the most exhaustive of those offered to the MBA board and consumed more attention and discussion than any other. The Committee is headed by George B. Underwood, Irvington, N. J., and includes Oliver M. Walker, Washington, D. C.; George H. Dovenmuehle, Chicago; Fred Beyer, Detroit; Fred C. Smith, New York; and M. T. MacDonald, Jersey City.

The seven recommendations which the board approved and which were presented to FHA officials in Washington the week of March 12 are:

"1. As a result of the temporary war housing program with its attendant priority requirements, the administrative procedure of FHA has been changed to the extent that it has undertaken originating duties previously entrusted to approved mortgagees, and it deals directly with builders and other persons or organizations who are not approved mortgagees. It is the feeling of MBA's FHA Committee that the FHA should, at this time, plan the resumption of its original program of Title II in such manner as to maintain its economic soundness and attract the support and cooperation of investors, developers, municipalities and the general public.

"In this connection, it is the feeling of the Committee that FHA should be requested to discontinue its present practice of dealing with builders or other persons or organizations who are not approved mortgagees and to deal in the future only with mortgagees approved for that purpose in accordance with administrative rules and regulations. In return for the above, FHA should be assured that the mortgagees are ready, willing and able to undertake the duties and responsibilities involved, realizing the threat to their future involved by their failure to do so.

This issue is principally devoted to current activities of certain MBA committees. Others will be covered in subsequent issues. Members who have suggestions for these committees may communicate directly with the chairmen or through the national office. Suggestions will be welcome.

"2. Other lenders have not been burdened with the administration of priorities and war housing and have taken advantage of the lull in activity to reorganize and perfect the service which they render. FHA should be requested to take advantage of present reduced volume of business to study the possibility of reducing its processing time to meet competing practice.

"3. At the present time FHA permits the mortgagee to insert a prepayment clause in mortgages covering projects insured under Titles 207 and 608, such premium being in addition to the one per cent penalty charged by FHA. Your Committee feels that FHA should be requested to permit the inclusion of such a clause in mortgages covering projects insured under Titles 203 and 603. Despite the fact that FHA has heretofore indicated its unwillingness to permit this, common equity justifies the conclusion that the investor is entitled to equal protection with FHA.

"4. When an application for insurance of a loan is received by FHA and the property covered thereby has been previously insured by FHA, such insurance still being in full force and effect, your Committee feels that *prior to any action*, FHA should check with the holder of the existing mortgage to determine whether or not proper application was made to the holder of the existing mortgage as provided by the National Housing Act.

"Since FHA verifies all other matters necessary to determine eligibility it is only logical and proper that refinancing certificates be also verified. Your Committee also feels that holders of existing insured mortgages should be permitted to inquire of FHA, and be advised as a result of such inquiry, with respect to any such insured mortgage which it believes or suspects may be in process of being refinanced through FHA.

"5. Your Committee recommends the preparation and adoption by the Association, with the approval of FHA, of a uniform clause for insertion in FHA mortgages at the option of members, which clause shall thoroughly and completely cover the mortgagees' right of possession in the event of, default. That FHA consider a regulation which would permit a mortgagee while in process of foreclosing to expend sufficient monies to adequately preserve the property so as to keep it in a readily salable or rentable condition. Such expenditures, less income received, to be fully included in the debentures.

"6. Your Committee feels that FHA should be advised that commitments to approved mortgagees only be continued and that it does not recommend extension of firm commitments to builders, but feels that the issuance of conditional commitments which are convertible to firm commitments on sale to an approved purchaser has proven to be a sound program and one which should be continued upon resumption of postwar operations under Section 203.

"There is no need or justification for what amounts to a subsidy to the building industry. Building operations are based on profit and the present easy money market is sufficient assurance that builders whose record justifies it can readily obtain credit to assist them in completing sound projects, and under the circumstances FHA is not justified in assuming a risk which, in the long run, might well subject it to criticism and limit its usefulness.

"The Committee feels that the FHA should be strongly urged to have commitments, either firm or conditional, run to approved mortgagees and that the present regulations governing this should be strictly adhered to and that it does not recommend commitments to builders.

"7. In order to protect borrowers and

mortgagees from unscrupulous and unauthorized representation, it is recommended that all authorized agents of an approved mortgagee be limited to agents who are properly licensed and qualified to do a mortgage business in their city and state, where a license for this purpose is required, and exhibit their authority to act for their principal; and, further, that such agents certify that they are acting solely for such principals in asking the FHA to process the application presented."

Washington Committee Will Watch S. 1607; Maloney Says He May Withdraw the Bill

The much-ado-about-nothing bill might be a correct description of the legislation (S. 1607) recently offered by Senator Francis Maloney of Connecticut which would set up an elaborate system for the disposal of war housing—but also would make the National Housing Agency permanent. This bill was considered by MBA's executive committee and board of governors and the net results of the action taken was watch it but for the time being wait and see before doing anything. Further consideration of it has been placed in the hands of the Washington Contact Committee headed by Charles A. Mullenix.

The bill itself has an interesting history. As was previously pointed out in *The Mortgage Banker*, the legislation follows closely the proposals submitted in July, 1943, by Mrs. Samuel I. Rosenman's National Committee on Housing, Inc. (then known as the National Committee on the Housing Emergency, Inc.). When he introduced it Senator Maloney declared that he did so at the request of this organization and named its officers and described the committee fully. Mrs. Rosenman promptly denied it. She advised *The Mortgage Banker* that her group had nothing to do with it but that one of its members had acted without advising her and other officials.

She went on to point out that "I personally feel that NHA should be continued as a peace-time agency, but I would not recommend its continuance through a bill which deals with only one section of the housing question."

In the meantime it would appear that the Washington Contact Committee probably won't be too busy in connection with this legislation because Senator Maloney has just advised an MBA member that he introduced it "at the request of a national committee" and that "I do not approve of the bill in its present form and have 'almost' decided to ask for permission to withdraw it."

He had previously advised MBA that *if* hearings were ever held on the thing he would see that we had a chance to be heard.

Those MBA members who have thought about S. 1607 at all are mostly concerned about the provision making NHA permanent. W. L. King of Washington, chairman of the MBA federal legislation committee, pointed out at the board meeting that Mr. Blandford has said that the Lanham Act gives him all the authority he needs for disposing of war housing.

No member should hastily conclude that *The Mortgage Banker* advocates forgetting this legislation but it does seem that, at the moment, it is by no means the most important development in Washington with which we should be concerned.

Members who would like to read an excellent analysis of the bill from the standpoint of the mortgage lender are referred to the January 10 issue of *Confidential Bulletin* of the United States Savings and Loan League containing Morton Bodfish's comments and a section-by-section review by Horace Russell, the League's general counsel. Copies of the bill are available at the MBA national office.

WAYS AND MEANS GROUP MAKE LONG TERM STUDY

A long-term plan for the expansion of MBA rather than the present year-to-year planning is contemplated under the terms of a resolution submitted by the Association's Way and Means Committee at the March meeting. The Committee is headed by Allyn R. Cline, Houston, as chairman and includes S. M. Waters, Minneapolis; Stanley H. Trezevant, Memphis, and R. O. Deming, Jr., Oswego, member ex officio.

The four-point program approved by the board calls for long-term planning for the Association rather than the year-to-year method heretofore used. It also calls for a full review of the duties of all committees to determine exactly what each is expected to do.

Under the resolution, the operations of the national office will be studied and suggestions for improvement made. The fourth point contemplates an intensive development of our sectional program. According to Mr. Cline, the Committee has in mind plans whereby the Association's activities can be expanded sectionally more than has been the case in the past.

You Might Well Read

Do You Agree or Disagree? In February, 1944, *Review of the Society of Residential Appraisers.* This is a symposium of the views of twenty appraisers on "the mortgage lending problems that underlie the current criticism of appraisals." Especially interesting from the standpoint of what they think about the future price trend.

Annual Survey Issue of the Federal Home Loan Bank Review. February, 1944, issue. Every year this agency compiles a great many statistics of the previous year that pertain to mortgage lending. If you are statistic-minded you should read this issue.

The Seven Myths of Housing. By Nathan Straus. (Knopf. $2.75.) Mr. Straus is generally considered to be the No. 1 Public Houser. In this book he tells of plans for 1,500,000 federally-subsidized houses to be built after the war at an annual cost of $145,000,000. That ought to be enough to arouse the interest of anyone who is looking to mortgage financing for his living. This book is the clearest exposition yet of what "the other side" in the public housing discussion believes and is planning for.

Inflation Cloud Over Real Estate by Norman R. Lloyd, MBA governor, in April *Banking*. Out soon.

Our Business Needs More Facts

Although everything about mortgages is a matter of public record, our business is one with relatively little factual data

By L. E. MAHAN

SOME of the best friends of the mortgage business are the institutional investors. I sometimes think that we do not realize what a great factor the insurance companies are in the moulding of thought and opinion.

It is significant that as late as 1900, all insurance companies had invested in mortgage loans only $501,408,000 which at that time, represented 28.78 per cent of their admitted assets.

Today a number of single companies have more than this amount in their investment portfolio. At the beginning of the last war, life insurance companies had invested in mortgage loans only $2,133,727,000, which then represented 32.68 per cent of their admitted assets.

Incidentally, at the beginning of the Civil war, life insurance companies had invested $16,000,000 in mortgage loans, but this figure at that time represented 59.2 per cent of their assets.

Contrast these figures with those of the present. The 25 leading insurance companies have over three times the total investment in mortgage loans that all of the companies had in 1918; and while figures are not available, it is my belief that life insurance companies today have in excess of 7 billion dollars of mortgage investments.

Nevertheless, the investment departments of insurance companies, banks and trust companies and others, are slow to meet changing conditions. It was only within the experience of most of us that life insurance companies were willing to accept the monthly payment loan for a period of 15 to 20 years. Up until that time they insisted upon three and five year mortgages which proved so unsatisfactory in periods of stress; again the life insurance companies were reluctant to accept the system of allowing their correspondents a differential in lieu of the cash commission upon which they maintained their business in years past. Both of these changes have proven very beneficial to the insurance companies and the latter has been the means by which the correspondent of the life insurance company might maintain his business through good and bad years. In the field of farm loans, they have watched the government absorb the business and because of the more simplified system of making city loans, have encouraged investments in city loans, almost to the exclusion of the farm loan department, which contributed so profitably to portfolios in the years past.

There is at the present time a grave and crying need for homes for those in the lower income bracket. The "public housers" are emphasizing it and are gaining a lot of public support and sentiment. It is a social duty that all of us try to develop a suitable unit for the lower income group and to support the program with a proper type of financing which will enable this group to live in that unit at a cost consistent with his earnings. There are possibly fifty different associations giving thought to this program. But the mortgage lender cannot be expected to develop the physical unit—that is for the builder and the contractor, but we owe it to other groups to try to correlate a mortgage plan which will enable the owner to own and finance his property at a cost consistent with his income. I am confident, after a discussion of this problem with several life insurance company officials and others in the building business, that such a home can be developed and such a type of financing can be made without loss to the investor. It must be done, however, by group planning and on a quantity basis. I have so often heard the accounting departments of mortgage bankers state that the small loan is unprofitable and that there is too much bookkeeping involved. This means, in most instances, that the mortgage banker is struggling along with antiquated systems and is not in step with modern bookkeeping practices and collection technique.

These are some excerpts from the speech MBA Vice President L. E. Mahan of St. Louis recently delivered before members of the Minneapolis MBA. He develops two points here: the importance of the institutional investors in our business and how few are the statistics of mortgage lending on which we have to base our decisions.

I criticise the mortgage profession for being prone to laziness in the past. We have not given proper study to our business. I know of no other field that operates with so little written data and statistics, and yet there is no field in which the process of procuring data is easier because every real estate mortgage, no matter in what state or county, must be made a matter of public record. The grocer, the barber, the undertaker, has more pertinent information on the conduct of his business than we have, although we represent one of the greatest fields of finance.

Did you ever stop to think that we have very little literature on the subject of mortgage banking? If some younger man were to come to me today and ask me to outline a prescribed course of study pertaining to our business, I would be unable to give him more than two or three important books on the subject. We are still conducting our business like the old craftsman in the hills who passed on his trade from one generation to another. I do hope that in the future more young men will enter the mortgage field and give serious and conscientious study to the problems that confront us. Every progressive mortgage lender should take an active part in the development of proper building codes, city planning and street layout.

MBA Admits 54 New Members Making Total Now 838; Gains Among Life Firms Cited

This year's MBA membership campaign under the direction of Edward F. Lambrecht, Detroit, regional vice president, is moving along at a swift pace. The board, at its Chicago meeting, heard that since the annual meeting last September the Association has acquired 54 new members as against 49 in the same period a year ago. MBA now has 838 members. The new regular members admitted March 1st are:

Phillips, Schmertz & Co., Pittsburgh; Liberty Bank of Buffalo, N. Y.; The Spring Company, Minneapolis; Southern Investment Company, Birmingham; Central Trust Company, Rochester.

First Savings and Loan Association of Fair Lawn, N. J.; Mutual Savings Fund Harmonia, Elizabeth, N. J.; The Hodge Agency, Granite City, Illinois; Donnelly, Gleim & Co., Detroit; Hilliard & Redman, Lexington, Ky.

Jester & Sons, Des Moines; The Dime Savings Bank of Brooklyn; The Schenectady Savings Bank, New York; Detroit Trust Company, Detroit; Norfolk County Trust Co., Brookline, Mass.; Beacon Mortgage Co., Inc., Brookline, Mass.

The Baltimore Life Insurance Co., Baltimore; Occidental Life Insurance Company of California, Los Angeles; A. P. Simons Mortgage Corporation, Dallas; Richmond Property Corporation, Richmond, Ind.; Eberhardt Company, Minneapolis.

Fulton Service Corporation, Brooklyn; John P. Dolan Realty Co., St. Louis; Monroe Abstract and Title Corporation, Buffalo; Industrial Trust Company, Providence, R. I.; Leo P. Schaefer Co., Los Angeles.

Commercial Securities Company, Gary, Ind.; The Royal Highlanders, Lincoln, Neb.; The Denver National Bank, Denver; Record Abstract and Title Insurance Co., Denver; The Baughman Investment Co., Liberal, Kansas.

The V. C. Peterson Co., Marshalltown, Iowa; E. E. Glasscock, Hutchinson, Kansas; Garlington-Hardwick Co., Atlanta, Ga.; Alliance Life Insurance Co., Peoria; Standard Life Insurance Company of the South, Jackson, Miss.; The Terminal National Bank of Chicago; Peoples National Bank of Washington, Seattle; and Huntoon, Paige & Company, Paterson, N. J.

New associate members include:

Orville J. Taylor, Chicago; W. Fennimore Cooper, Los Angeles; Paul D. Moonan, Rochester, N. Y.; Einar G. Carlson, Cleveland; and David L. Treadway, Dallas.

Of the life insurance companies with assets of $100,000,000 or more all are MBA members except five. The 20 largest companies all belong except one and two of the officers of this company are members. Of the 100 largest banks in the country, about 20 are MBA members.

Mr. Lambrecht's report was read by J. C. McGee, the former being unable to attend the meeting. In his report Lambrecht paid tribute to the work being done by the regional vice presidents and state membership chairmen. He singled out R. O. Deming, Jr., Oswego, Kan.; C. W. Mead, Omaha; Ward J. Gauntlett, Chicago; J. M. Pringle, New York; and Robert Goldsby, Elizabeth, N. J., as deserving special commendation.

WE HEAR THAT: Frederick P. Champ, Logan, Utah, former MBA president, addressed the New Mexico Cattle Growers Association in Albuquerque March 21 . . . and that Claude A. Campbell, Toledo, is secretary of the Ohio chapter No. 3 of the American Institute of Real Estate Appraisers . . .

J. P. HOGAN

With deep regret we announce the death February 28th of MBA's former board member from New Orleans, J. P. Hogan. Mr. Hogan joined MBA in October, 1927, and served on the insurance, resolutions, nominating and tax committees. He was born in West Baton Rouge parish and attended Soule College and Louisiana State University. During the last war he was engaged in shipbuilding and later did contracting work in Lima, Peru. He was president of the Standard Mortgage Corporation at the time of his death. At the March 1st board meeting, L. A. McLean offered a resolution expressing the Association's loss at his passing. The board stood for one minute in silent tribute to his memory.

JOHN F. MYLOD ELECTED NEW JERSEY PRESIDENT

John F. Mylod, president, The Mortgage Corporation of New Jersey, Newark, was elected president of the Northern New Jersey MBA at the fifth annual meeting in Newark. He succeeds George B. Underwood. The meeting was held in cooperation with members of the Philadelphia MBA who helped make preliminary plans for the MBA Clinic in New York. Other officers elected were: first vice president, Frank A. Weber, cashier, The West Englewood National Bank, West Englewood; second vice president, Robert E. Goldsby, president, Jersey Mortgage Company, Elizabeth; treasurer, Milton T. MacDonald, treasurer, The Trust Company of New Jersey, Jersey City; and secretary, Irvin N. Clary, vice president, The Paterson Savings Institution, Paterson.

These officers and the following comprise the board of governors:

George B. Underwood, president, Underwood Mortgage & Title Co., Irvington; John C. Thompson, president, New Jersey Realty Company, Newark; Milford A. Vieser, manager, city mortgage investments, The Mutual Benefit Life Insurance Company, Newark; Addison K. Barry, assistant cashier, The National Newark & Essex Banking Co., Newark; Thomas E. Colleton, president, Clinton Title & Mortgage Guaranty Co., Newark; Ernest S. Allsopp, manager, No. N. J. branch, Mortgage Loan Dept., The Prudential Insurance Company of America, Newark; William L. Maude, vice president, The Howard Savings Institution, Newark; and Charles A. Lohmann, assistant cashier and manager Mortgage Loan Department, Passaic National Bank & Trust Company, Passaic.

Guests at the meeting included Earl B. Schwulst, Fred C. Smith, and Elbert Shenkel, Bowery Savings Bank, New York City; Harold D. Rutan, The Bank for Savings in the City of New York; Charles H. Hayes, Brooklyn Savings Bank, Brooklyn; W. A. Clarke, N. N. Wolfsohn, Elmer S. Carll, and William T. Walsh, Philadelphia MBA; T. B. O'Toole of Wilmington, Delaware; and Major Milton R. Underwood and Lieutenant W. S. Lamont, United States Army.

Warren J. Lockwood, State FHA Director, told the meeting that he believed a conservative estimate of the cost of new building that would be undertaken in New Jersey shortly following the end of the war would total $60,000,000. It was pointed out by officers of the Association that the 40

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Little Hope Seen for Gillette Bill; Land Bank Subsidy Rate May Not Be Renewed

The Fulmer bill is apparently dead, it is safe to assume that the Gillette bill will die in committee and there seems little hope that a system of farm mortgage insurance can be set up as long as the present national administration is in power, S. M. Waters, chairman of the MBA farm loan committee, told members of the board at the March meeting.

"So far as farm mortgage insurance is concerned, we have not departed from our stand that if any such system is to be established, it must be a business system without social objectives in control and with an extremely limited part in the program to be taken by any government agencies. Personally, I have given up any hope that such an end can be accomplished so long as the present administration in Washington is in control," he said.

Reviewing the farm mortgage situation, Waters said:

"The total amount of farm mortgages outstanding continues to decline. The shrinkage for the past year was about $400,000,000. It began even before the effect of high farm commodity prices had been felt. The high point was about 11½ billion. The present balance is about 6 billion.

"However, beginning with June of last year there was a definite change of trend. The number of new mortgages filed began to increase, the dollar amount increased as did the average size of loans. In the next three months the number of new mortgages increased 23 per cent over the third quarter of 1942. The dollar volume increased 60 per cent and the size 30 per cent. This trend, if continued, will in time push up the curve of mortgage debt. How soon can it be actually determined, what a fair estimate would be about January 1, 1945?

"In the meantime, there is a decided change in the holdings of farm mortgagees. The life insurance companies have about held their own with a present total of about 14 per cent. The government agencies have lost heavily with a present total of about 32 per cent. The miscellaneous investors who are characterized by investing in their own immediate neighborhoods have gained substantially to a present percentage of 54.

"The interest rate continues at an all-time low. In proven farm areas the going rate is 4 per cent and the procurer receives a premium of one to one and one-half points, and in some instances a small participation in addition. As usual, the life companies operating on a branch office system have taken the lead in reducing rates.

"The Federal Land Bank System has been given credit for a slight increase in farm loan rates but the facts are to the contrary. It will be remembered that Federal Land Bank and Commissioner loans bore contract rates from 5½ per cent to 4 per cent. For several years all of these loans have been running at 3½ per cent by government subsidy. The subsidy law runs out this Summer. It is not expected to be renewed although a bill has already been introduced for that purpose. Anticipating that it would not be renewed, the land bank system has reduced the contract rates to 4 per cent, effective when the law runs out, and the commissioner has reduced the rate to 4½ per cent."

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members of the Northern New Jersey MBA had, in recent years, produced between 80 and 90 per cent of the entire amount of mortgages insured by FHA in New Jersey and probably a like proportion of the conventional mortgages placed on properties in this area.

NOT INTERESTED IN PROFITS?

(Continued from Page 2)

occasionally inspect the property. Of course, if there is any trouble with the loan our service will have to be increased.

The general feeling is, however, that all of this work can be done profitably if the volume is great enough; but as this type of service and the long term monthly loan is comparatively new to most of us, I wonder if we are eventually going to find that volume will make profitable what on the face of it looks like a losing venture. Of course it may be said that the mortgage bankers must take the bad with the good, that their real profit comes from the larger loans where they receive much greater participation and the work involved is no greater. Today, however, with the great competition, a half dozen firms will figure on each large loan, figuring with people making offers on the property who are not successful in having their offer accepted, so that the amount of work done for every large loan consummated is tremendous.

In my opinion, we have no one to blame but ourselves. The insurance companies cannot allow a greater participation, because mortgage investments would be unattractive to them with a lower net yield. In our intense desire to secure business over the past few years we have gradually eliminated commissions and forced down rates. Occasionally some bank or insurance company, coming into a locality for the first time, will make a drive for business by offering rates under those prevailing. Had each of us not hastened to urge our insurance outlet to meet these rates, in my opinion, we would not have reached the point where we are today. We are now dividing up the same amount of business as would probably have been available to us, except that we are getting it at lower interest rates and no commission, which results in smaller compensation to us.

Our expense of doing business is continually mounting. Every time we hire any new help we have to pay considerably more than we paid formerly for the same services. In addition, every six months we are petitioning the Wages and Hours Board to permit us to raise the salaries of our present employees. Many think that these higher salaries are going to continue for years to come.

It is high time that mortgage bankers start thinking about how they are going to secure enough income to pay these salaries and have a little left over for themselves.

NEW YORK CLINIC

(Continued from page 1)

BURLYE B. POUNCEY
Assistant Manager, Mortgage Loan Department, The Guardian Life Insurance Company of America
Subject: Submitting Applications for Apartment House Loans.

FREDERICK J. EBERLE
Second Vice President, The Connecticut Mutual Life Insurance Company, Hartford
Subject: Submitting Applications for Loans on Business Property Without Chain Store Leases.

FELIX M. DAVIS
Supervisor, Conventional Mortgages, The Mutual Life Insurance Company of New York
Subject: Submitting Applications for Loans on Business Property with Chain Store Leases.

ROBERT W. DOWLING
Vice President, Starrett Bros. & Eken, New York
Subject: The Future of Real Estate

Mr. Draper and the three life company executives are too well-known to MBA members to warrant any further introduction here.

This will be the first time, however, that we have had the privilege of hearing Mr. Noyes or Mr. Dowling on one of our programs. Mr. Noyes is chairman of the board of Charles F. Noyes Company, Inc., New York, one of the nation's leading real estate and management companies. It is now managing more than 600 buildings in New York, utilizing more than 2,700 employees serving over 5,000 tenants. Mr. Noyes is one of the largest personal investors in New York real estate and is reported to own over 200 buildings himself which pay an aggregate tax bill of more than $600,000.

Mr. Dowling is vice president of Starrett Bros. & Eken, Inc., builders of the Metropolitan Life's housing projects. Mr. Dowling had personal charge of a large part of the leasing of Parkchester, the Metropolitan's first big project. He is also chairman of the real estate committee of the Immigrant Industrial Savings Bank and, like Mr. Noyes, is recognized as a leading authority on urban real estate.

President's Report to the Members

The Chicago Clinic was the largest and most successful MBA has sponsored and we are anticipating an equally successful meeting in New York. You will find more about the program elsewhere in this issue. If you did not get to Chicago, I particularly recommend the New York meeting April 13 and 14 or the Tulsa Clinic May 11 and 12.

Elsewhere in this issue are several reports of action taken at the board of governors meetings. The FHA recommendations are especially important to approved mortgagees and it would be well for all of them to give these ideas serious consideration. George Underwood and other members of this Committee will be glad to have your further suggestions.

The special committee appointed to study the possibilities of setting up a new MBA appraisal division turned in an especially worthwhile report. This group is headed by E. D. Schumacher, Memphis, chairman, and includes A. A. Zinn, Indianapolis; R. C. Obermann, St. Louis; Frederick P. Champ, Logan, Utah; and Aksel Nielsen, Denver.

The committee recommended establishing an appraisal division to study appraisal practices, hold clinics, adopt uniform forms and methods of procedure, set up standard codes of ethics and work to hold down inflation through avoiding excessive valuations. Also emphasized was the fact that such a division would greatly assist younger employees of member firms. Serious consideration was given to the proposal but no final action has yet been taken.

Another significant report was that of the Postwar Planning Committee headed by Byron T. Shutz, Kansas City, and includes all past presidents.

Too long for presentation here, it makes two specific suggestions for immediate consideration: *first*, that an early meeting of all Committee members and MBA officers be scheduled to completely review postwar matters with which we are concerned; and *second*, that a conference be arranged with representatives of companion organizations such as ABA, the U. S. League, American Life Convention, the Home Builders and others to coordinate the thinking and activities of all on the broad general problems of the postwar period. I am hopeful that both recommendations can be carried out.

Since the Chicago Clinic, the writer, with Secretary George H. Patterson and a group of former presidents, governors and committee chairmen, have been to Washington where we conferred with a number of federal agency officials. Included in our group were Charles A. Mullenix, Cleveland; Dean R. Hill, Buffalo; T. B. O'Toole, Wilmington, Del.; and George B. Underwood, Irvington, N. J.; and from the capital were W. L. King and G. Calvert Bowie. As this issue is going to press at my return, I will delay a report of our conversation until later.

R. E. Woodruff

President, Mortgage Bankers Association of America
Detroit, March 22, 1944